

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name TUSCOLA COUNTY HEALTH DEPART	County TUSCOLA
Fiscal Year End 09/30/07	Opinion Date 12/13/07	Date Audit Report Submitted to State 03/20/08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

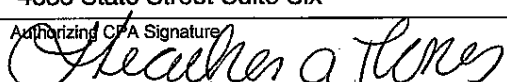
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	KNOW REQUIRED THIS YEAR	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Gardner, Provenzano, Schauman & Thomas, P.C.		Telephone Number 989-790-3900	
Street Address 4855 State Street Suite Six		City Saginaw	State MI
Zip 48603			
Authorizing CPA Signature 		Printed Name Heather A. Thomas	License Number 1101024719

TUSCOLA COUNTY HEALTH DEPARTMENT
CARO, MICHIGAN

FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

December 13, 2007

Board of Public Health
Tuscola County Health Department
Caro, Michigan

We have audited the accompanying financial statements of the governmental activities of Tuscola County Health Department, a component unit of County of Tuscola, Michigan, as of and for the year ended September 30, 2007, which comprise the Health Department's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Tuscola County Health Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tuscola County Health Department as of September 30, 2007, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America and with applicable rules and regulations of the State Treasurer.

Board of Public Health
Tuscola County Health Department
December 13, 2007
Page Two

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2007, on our consideration of Tuscola County Health Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Gardner, Provenzano, Schumann & Thomas, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Our discussion and analysis of the Tuscola County Health Department's financial performance provides an overview of the Health Department's financial activities for the fiscal year ended September 30, 2007. Please read it in conjunction with the Health Department's financial statements.

Financial Highlights

- As of October 1st, funding for our Local Tobacco Reduction Program increased from the previous year by \$5,000; for a total of \$20,000. This additional funding allowed us to enhance staffing levels to achieve proposed goals and objectives of the program.
- Title X funding for Family Planning decreased by \$14,236 from the prior year due to implementation of the Medicaid Family Planning Waiver Program, "Plan First". This new program was designed to provide a variety of Family Planning services to women 19 through 44 years of age, who meet specified monthly income limits, and are not receiving traditional Medicaid. For budget purposes, the number of women who would qualify for "Plan First" in this fiscal year was an estimate only, which would be revised as the year progressed. Actual revenue generated from "Plan First" participants exceeded our expectations by \$7,826. Also, in May we received additional one-time Title X funding in the amount of \$10,744.
- In December, the Tuscola County Community Foundation provided funding for two projects. We received \$2,500 to provide childhood lead testing for children who are underinsured or have no insurance, and \$5,000 to purchase a Colposcopy machine used to screen women for cervical cancer.
- Michigan received additional funding from the United States Department of Agriculture for WIC, and distributed those funds to local agencies. We were notified in March that our WIC Program would receive an additional \$6,244 increasing the base to \$209,011 with the caseload remaining at 1561 participants. The additional funds allowed us to adjust staffing levels to better meet the needs of WIC participants.
- In May we were informed that eligibility requirements for Strong Families/Safe Children contracts were being revised. This change had a significant impact on our 0-5 Early Intervention Program, resulting in fewer clients who qualified for services. Our original contract for \$19,000 was reduced to \$17,100; however, we were able to realize only \$13,680 as a result of the revised eligibility requirements.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Financial Highlights (continued)

- Once again Bioterrorism funding decreased from the previous year by \$33,206. Our new allocation was \$146,419. Significant adjustments were made to staffing levels in this program as a result. In June, we were notified of further cuts to the program in the amount of \$2,847.
- At the beginning of the fiscal year, we were unclear as to what level the Pandemic Flu Supplemental Program would be funded. Our first agreement with MDCH simply stated funding was "to be determined", which made it very difficult to plan a program budget. By the end of November we were informed the allocation would be \$54,426 which was an increase of \$28,280 from the previous year.
- In 2006/2007 several issues contributed to the decrease in fund balance of \$8,617. The cost of medical supplies, drugs/vaccines, office supplies and fringe benefits were higher than our best projections. Also, the continued slow economy left several sources of revenue falling short of budget projections.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Tuscola County Health Department, a component unit of the Tuscola County, as a whole and present a longer-term view of the Tuscola County Health Department's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Tuscola County Health Department's operations in more detail than the government-wide financial statements.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES

One of the most important questions asked about the Health department's finances is, "Is the Health Department better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about Tuscola County Health Department as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Health Department's net assets and changes in them. You can think of the Health Department's net assets, the difference between assets and liabilities, as one way to measure the Health Department's financial health, or financial position. Over time, increases or decreases in the Health Department's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors to assess the overall health of the Health department.

THE HEALTH DEPARTMENT AS A WHOLE

The Health Department's net assets decreased \$78,422 from a year ago.

<u>Table 1 Net Assets</u> As of September 30,	Governmental Activities	
	2007	2006
Current and other assets	\$ 854,261	\$ 780,935
Capital assets	140,179	193,121
Total assets	994,440	974,056
Long-term liabilities outstanding	125,079	108,216
Other liabilities	219,113	137,170
Total liabilities	344,192	245,386
Net assets:		
Invested in capital assets, net of related debt	140,179	193,121
Unrestricted	510,069	535,549
Total net assets	\$ 650,248	\$ 728,670

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

THE HEALTH DEPARTMENT AS A WHOLE (continued)

Table 2 Changes in Net Assets

For the year ended September 30,	Governmental Activities	
	2007	2006
Program revenue		
Charges for services	\$ 891,368	\$ 776,774
Operating grants and contributions	1,365,346	1,084,578
General revenue		
County Appropriations	387,471	390,177
Interest and rents	4,121	3,306
Other Revenues	431,432	407,664
Special item-gain (loss) on disposal of capital assets	(126)	1,205
Total revenue	<u>3,079,612</u>	<u>2,663,704</u>
Program expense		
Health department	<u>3,158,034</u>	<u>2,742,266</u>
Total expenses	<u>3,158,034</u>	<u>2,742,266</u>
Increase (decrease) in net assets	<u>\$ (78,422)</u>	<u>\$ (78,562)</u>

Net assets decreased by \$78,422 for several reasons. The cost of fringe benefits and supplies the year ended September 30, 2007 were higher than projected. Depreciation expense was approximately \$22,000 higher than the previous year. In addition, expense for compensated absences increased by approximately \$16,800.

REPORTING THE HEALTH DEPARTMENT ON A FUND BASIS

Our analysis of the Health Department's only fund, a governmental special revenue fund of Tuscola County is defined below:

- Governmental funds- All of the Health Department's services are reported in a governmental fund, which focuses on how money flows into and out of that fund and the balance left at year-end that is available for spending. The governmental fund is reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the Health Department's operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Health Department's programs. We described the relationship (or differences) between governmental activities

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

REPORTING THE HEALTH DEPARTMENT ON A FUND BASIS (continued)

(reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund statements.

ANALYSIS OF BALANCES AND TRANSACTIONS OF GENERAL FUND

- The Fund Balance decreased by \$8,617 as a result of expenditures exceeding revenue and other funding sources in fiscal year 2006/2007. The unreserved-undesignated general fund balance was \$302,038 at September 30, 2007.
- Amounts designated as "Unreserved/Designated" by the Board of Health as of September 30, 2007 were:
 - The amount of compensated absence balance to be used for future payment of compensated annual leave; and 50% of the amount of sick leave balance for employees eligible to retire in fiscal year 2007/2008 - \$125,079
 - \$124,719 for future MERS-employer contributions
 - \$28,388 for implementation of the TCHD wage schedule
 - \$47,000 for Data Management/Capital Improvements
- Amounts designated as "Reserved" by the Board of Health as of September 30, 2007 were:
 - The amount in the "Children's Special Health Care Relief Fund" - \$145
 - The amount in the "United Way/Community Foundation Blood-Lead Project" - \$1,659
 - The amount in the "Flexible Spending Account" for employee unreimbursed medical expenses - \$5,666
 - The amount in the "Imprest Cash" - \$454

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

**ANALYSIS OF BALANCES AND TRANSACTIONS OF GENERAL FUND
(CONTINUED)**

Capital Expenditures

- Significant capital expenditures:

There were no significant capital expenditures for the Health Department in fiscal year 2006/2007.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2007 and 2006, the Tuscola County Health Department had \$140,179 and \$193,121 invested in capital assets as follows:

	2007	2006
Building improvements	\$ 71,304	\$ 71,304
Computers and related equipment	287,724	294,739
Vehicles	43,489	43,489
Other equipment	167,225	172,417
Total	569,742	581,949
Less accumulated depreciation	(429,563)	(388,828)
Net fixed assets	<u>\$ 140,179</u>	<u>\$ 193,121</u>

Additional information on the Health Department's capital assets can be found in Note 5.

LONG-TERM DEBT

At year-end, the Tuscola County Health Department had the following long-term debt:

Compensated absences	<u>\$ 125,079</u>
Total Long-term debt	<u>\$ 125,079</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Health Department Board amended the original budget to take into account events which had a significant impact on revenue and expenses. The final revised budget was adjusted to reflect the most accurate information available.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

FIRST BUDGET VERSUS FINAL BUDGET

The **"Intergovernmental Federal/State"** revenue line decreased from the original budget by \$42,473 in several areas. Funding from the Department of Human Services (Strong Families/Safe Children) declined due to eligibility requirement changes in our 0-5 Early Intervention Program. Our 2004/2005 Title V/XIX Cost Based Reimbursement final settlement to be used in 2006/2007 was less than anticipated in the original budget. The Type II Non-Community Water reimbursement was less than planned as fewer people participated in the Type II Operator Certification Program. Revenue generated from the Family Planning Medicaid Waiver Program "Plan First", was listed in the Intergovernmental Federal/State section of the original budget, however, after we received clarification on "Plan First" funds, we moved that revenue to the "Charges for Services" area in our final budget.

"Charges for Services" revenue was increased by \$40,817 in the final budget. As stated above, "Plan First" projected revenue was transferred from the "Intergovernmental Federal/State revenue area. Family Planning revenue from Medicaid, Blue Cross, Private Insurance and the Qualified Health Plans increased significantly from the original budget.

The **"Salaries and Wages"** line was decreased in the final budget by \$29,907. Staffing was reduced in the Immunization program due to a decline in the Title V/XIX Cost Based Reimbursement final settlement. To reduce the amount of local funding applied to Environmental Health, a clerical position was reduced to a three-day a week position. After the original budget was developed, we received communication that the Abstinence Program would be funded only until June 30, 2007 which required adjustments to all areas of the Abstinence budget.

The **"Supplies & Materials"** expense line was increased in the final budget by \$47,574. As in years past, adjustments needed to be made for the rising cost of drugs, vaccines and pharmaceuticals for Family Planning and Immunization programs. We received additional funding from the Tuscola County Community Foundation to purchase a Colposcopy machine. As the value of the unit was under \$5,000, the expense was placed in the supply and materials area. Funds within the Thumb Steps Up program were shifted from various expense lines to the supply and materials line.

Other less significant changes occurred in revenue and expenses, resulting in an overall variance from the original budget to the final revised budget.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

FINAL BUDGET VERSUS ACTUAL RESULTS

The most significant variance is in the **"Intergovernmental Federal/State"** revenue line item in the amount of \$144,038. This variance is mostly due to the difference in the actual value of Michigan Department of Community Health provided "Vaccine for Children" (VFC) and the amount estimated. We estimated the value to be \$167,434 in our final budget for fiscal year 2006/2007, based on the value received in the prior year. The actual value provided in documentation from MDCH after the end of the fiscal year was \$305,454; a difference of \$138,020. This significant difference was a result of rising costs of all vaccines and the fact we received more doses than in the prior year. Another factor was in regard to the Thumb Steps Up Program funded by the US Department of Health and Human Services. We were allowed to carry forward unspent funds from the previous year to the second year of the contract to be shared with ten partners in the project. Early in the fiscal year we received communication that the Abstinence Program would be funded only to June 30th. After approval of the final budget, the program was reinstated through September 30th.

Actual revenue generated in the **"Charges for Services"** area exceeded projections in the final budget by \$61,429. The Immunization program realized additional revenue from private pay and Blue Cross clients. Family Planning "Plan First" reimbursement also exceeded our final budget projections. The Maternal-Infant Health Program earned more revenue than expected for clients enrolled with Qualified Health Plans.

The cost of **"Fringe Benefits"** exceeded the final budget projections in the amount of \$27,946. The estimated employer contribution schedules from Municipal Employees Retirement System are used for budget purposes. Actual contributions are based on actual reported payroll, and are usually higher than estimated contributions. Also, our agency offers a cash option to those employees who have primary health coverage through a spouse. This fiscal year it was necessary for an employee to forfeit the cash option and become enrolled in our health insurance, which added to fringe benefits costs.

The major reason **"Supplies and Materials"** costs exceeded our final budget by \$188,161 was due to the substantial increase in the value of VFC vaccine we received from Michigan Department of Community Health which is reflected in both revenue and expense. As in past years, our Immunization program experienced significant price increases for vaccine that we purchase, which was not anticipated when the final budget was approved.

Other less significant changes occurred, plus and minus, in both revenue and expenditures, resulting in the overall variance from the final revised budget to actual.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Health Department's Board of Health and administrative staff considered many factors when developing a continuation budget plan. Fees are reviewed, and the quantity of services to be delivered and revenue generated are calculated. Prior to the beginning of a new fiscal year information available from Michigan Department of Community Health sometimes is limited as to funding levels and programs that are in question for continued funding.
- One budget priority is to keep the wage schedule current yet manageable, with expected funding levels. The Board of Health and Board of Commissioners approved a 3% pay increase, effective October 1, 2007.
- The Municipal Employees' Retirement System (MERS) Annual Actuarial Valuation Report was received stating our agency is now funded at a 91% level. The employer contribution beginning January 1, 2008 will increase to 9.40% from 9.34% or \$124,719 for fiscal year 2007/2008. This increase is factored into the 2007/2008 continuation budget.
- As a result of changes in eligibility requirements in the Strong Families/Safe Children contract, referrals for our 0-5 Early Intervention Program will be nearly non-existent in 2007/2008. To use our limited resources in the most efficient manner, staff will be directed elsewhere. If circumstances change regarding eligibility, we will re-evaluate the 0-5 Early Intervention Program. Also, funding for the Abstinence Program is no longer available in 2007/2008.
- Staffing adjustments are being planned for 2007/2008. The expectation is that Environmental Health revenue will decline due to the lagging economy and make it necessary to reduce the Sanitarian II position to a .53 full time equivalent. Also, a Clerk II position employee in the Public Health Division has been placed on lay-off status.
- Two new programs are expected in 2007/2008. Funding was awarded from Michigan Department of Community Health and Michigan Department of Transportation for "Safe Routes to School" in the amount of \$8,790; for implementation on November 1st and will be completed by September 30th. The focus of this program is to encourage children to walk and bike to school by creating safe bike trails and walkways which promote physical activity. We will partner with two schools in Tuscola County on this project. The second new program, "Building Healthy Communities Planning Grant", also an award from Michigan Department of Community Health, is planned to start March 1st and will be completed by September 30th. We will receive \$20,000 to work with one community

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES
(continued)**

in Tuscola County to prevent and reduce cardiovascular disease and its risk factors. Both of these new grants will be implemented using staff on hand.

- Last year we reported that Medicaid Cost Based Reimbursement (CBR) audit issues encountered by the Medical Services Administration resulting from a Federal audit, could potentially have a very negative impact on local health departments throughout the State. Local health departments not only face the possibility of significantly reduced CBR payments in the future, but also having to return any overpayments back to fiscal year 2003/2004. Issues were not resolved in fiscal year 2006/2007, and most likely will not be resolved in 2007/2008. It is our understanding the Tuscola County Health Department will receive approximately \$179,000 CBR for fiscal year 2005/2006 that is included in our 2007/2008 budget. The Michigan Department of Community Health and Medical Services Administration continue to challenge the audit findings, but have informed local health departments that repayments are a definite possibility in the future.
- As always, consideration was given to the fact that the economy has a significant impact on funding we receive from all sources. The Board of Health and administrative staff will make adjustments to the agency budget as necessary to assure services are delivered in the most efficient manner with available funding.

**CONTACTING THE TUSCOLA COUNTY HEALTH DEPARTMENT'S
MANAGEMENT**

This financial report is intended to provide our citizens and customers with a general overview of the Tuscola County Health Department's finances and to show the Tuscola County Health Department's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Fiscal Manager at 1309 Cleaver Rd., Caro, MI 48723.

BASIC FINANCIAL STATEMENTS

TUSCOLA COUNTY HEALTH DEPARTMENT
GOVERNMENT WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

	Governmental Activities
ASSETS	
Current assets:	
Cash	\$ 561,921
Accounts receivable	101,125
Due from State of Michigan	8,146
Due from other governmental units	13,536
Due from other counties	43,351
Prepaid expenses	39,836
Inventory	86,346
Total current assets	<u>854,261</u>
Noncurrent assets	
Net capital assets	<u>140,179</u>
Total noncurrent assets	<u>140,179</u>
Total assets	<u><u>\$ 994,440</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 96,431
Accrued wages payable	34,196
Accrued taxes payable	2,140
Deferred revenue	86,346
Total current liabilities	<u>219,113</u>
Noncurrent liabilities	
Accrued compensated absences	<u>125,079</u>
Total noncurrent liabilities	<u>125,079</u>
Total liabilities	<u>344,192</u>
NET ASSETS	
Invested in capital assets, net of related debt	140,179
Unrestricted	<u>510,069</u>
Total net assets	<u>650,248</u>
Total liabilities and net assets	<u><u>\$ 994,440</u></u>

See accompanying notes to the basic financial statements.

TUSCOLA COUNTY HEALTH DEPARTMENT
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
	Program Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Programs				
Personal Health	\$ 2,260,831	\$ 715,395	\$ 1,088,351	\$ (457,085)
Environmental Health	389,996	175,973	79,006	(135,017)
Administration	225,518	-	-	(225,518)
Other	281,689	-	197,989	(83,700)
Total Governmental Activities	<u>\$ 3,158,034</u>	<u>\$ 891,368</u>	<u>\$ 1,365,346</u>	<u>(901,320)</u>
General Revenues:				
County Appropriations				387,471
Interest and rents				4,121
Other Revenues				431,432
Total General Revenues				<u>823,024</u>
Special Items:				
Gain on disposal of capital assets				(126)
Change in net assets				(78,422)
Net Assets-Beginning of the Year				728,670
Net Assets-End Of Year				<u>\$ 650,248</u>

See accompanying notes to the basic financial statements.

TUSCOLA COUNTY HEALTH DEPARTMENT
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2007

	Governmental Fund Type
ASSETS	
Cash	\$ 561,921
Accounts receivable	101,125
Due from State of Michigan	8,146
Due from other governmental units	13,536
Due from other counties	43,351
Prepaid expenditures	39,836
Inventory	86,346
Total Assets	<u>\$ 854,261</u>
LIABILITIES	
Accounts payable	\$ 96,431
Accrued wages payable	34,196
Accrued taxes payable	2,140
Deferred revenue	86,346
Total Liabilities	<u>219,113</u>
FUND BALANCE	
Reserved	
Children's Special Health Care Relief Fund	145
United Way Blood-Lead Project	1,659
Flexible spending	5,666
Imprest cash	454
Designated	
Compensated Absences	125,079
Retirement contribution	124,719
Wage schedule implementation	28,388
Data Mgt/capital improvements	47,000
Unreserved Undesignated	302,038
Total Fund Balance	<u>635,148</u>
Total Liabilities and Fund Balance	<u>\$ 854,261</u>
Governmental Fund Balance	\$ 635,148
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not considered financial resources and therefore not reported in the funds.	140,179
Liabilities such as compensated absences are not due and payable in the current year and are not reported on a fund level.	(125,079)
Net Assets of Governmental Activities	<u>\$ 650,248</u>

See accompanying notes to the basic financial statements.

TUSCOLA COUNTY HEALTH DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

<u>Revenues</u>	General Fund
Licenses and permits	\$ 165,434
Intergovernmental Federal/State	1,919,459
Charges for services	560,789
General contributions	9,228
Other	13,066
Total revenues	<u>2,667,976</u>
<u>Expenditures</u>	
Salaries and wages	1,451,371
Fringe benefits	506,815
Supplies and materials	649,478
Contractual	215,749
Legal	2,824
Health services	6,064
Telephone	14,371
Travel	82,976
Advertising	6,890
Insurance	23,834
Equipment repairs and maintenance	7,537
Central Service costs	8,359
Building lease and rentals	88,097
Other	23,990
Total expenditures	<u>3,088,355</u>
Excess of revenues over (under) expenditures	(420,379)
<u>Other Financing Sources</u>	
County appropriation	387,471
Cigarette tax	24,291
Total other financing sources	<u>411,762</u>
Excess of revenues and other financing sources over (under) expenditures	(8,617)
Fund balance-beginning of year	643,765
Fund balance- end of the year	<u>\$ 635,148</u>
Excess of revenues over (under) expenditures	\$ (8,617)
Amounts reported for governmental-wide statement of activities differ because:	
Depreciation is not reported at the fund level	(52,816)
Gains or losses from the disposal of capital assets are not reported at the fund level	(126)
The change in compensated absences is not recorded at the fund level	(16,863)
Change in net assets	<u>\$ (78,422)</u>

The accompanying notes to the financial statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies

The accounting policies of the Tuscola County Health Department conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

The Tuscola County Health Department (Health Department) is a component unit of the County of Tuscola, Michigan and operates under the legal supervision and control of the Tuscola County Board of Commissioners. The Tuscola County Board of Commissioners appoints the membership of the Board of Health (Board). The Board functions as the governing body of the Health Department. It sets policies and procedures and provides general oversight of the Health Department's operations in cooperation with the Tuscola County Board of Commissioners. The Health Department was established to protect the citizens of Tuscola County from disease, as well as to promote the general health and well-being of those citizens.

B. Basis of Presentation

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government. Governmental activities, normally supported by taxes and inter-governmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. The Tuscola County Health Department did not engage in any business-type activities for the year ended September 30, 2007.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues for personal health and environmental health include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as general revenue.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 1—Summary of Significant Accounting Policies (continued)

Fund Financial Statement:

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

C. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or within 60 days of the end of the current fiscal period. Revenues from grants designated for payment of specific program expenditures are recognized when the related expenditures are incurred. Client fees are reported as income when earned and billed. Expenditures generally are recognized when the related fund liabilities are incurred. However, debt service expenditures, expenditures relating to long-term debt are recorded only when payment is due.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 1—Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Assets or Equity

Capital Assets -- Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building improvements	5 to 15 years
Computers and related equipment	5 to 10 years
Vehicles	4 years
Other equipment	3 to 15 years

Encumbrances are recorded by purchase orders and contracts at the time of issue. The encumbrances are liquidated when the goods or services are received. Unliquidated encumbrances lapse at the end of the fiscal year.

Compensated Absences (Vacation and Sick Leave)

The Health Department's personnel policy provides for the accumulation of compensated leave for vacation and sick days. The Health Department is contingently liable for vacation time and unused sick time only upon death or retirement. Employees of the Health Department are granted vacation leave in varying amounts based on length of service. Upon termination of employment, employees are paid accumulated vacation at the current rate of pay for a maximum of 32 days. At September 30, 2007, accumulated vacation payable amounted to \$100,841. Upon retirement, employees are paid accumulated sick leave at a rate of 50% of hours accumulated up to a maximum of 900 hours (450 hours paid). At September 30, 2007, four employees were eligible for retirement and the accumulated sick leave payable amounted to \$24,238.

Long-Term Obligations -- In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. At September 30, 2007, compensated absences were the only long-term obligation.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 1—Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Assets or Equity (continued)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The Health Department received monies from United Way to be used for emergency health care services for children. These monies are deposited into a separate bank account. Disbursements are made from this account by the Health Department as needed for emergency health care expenditures. At September 30, 2007, the balance in the "Children's Special Health Care Services Fund" was \$145, the United Way Blood-Lead Project was \$1,659, imprest cash was \$454 and the Flexible spending was \$5,666.

During the current year, the Board of Health designated monies from the unreserved fund balance and set them aside for future use. As of September 30, 2007, \$124,719 had been designated for future MERS employer contributions, \$28,388 had been designated for implementation of a new wage schedule, \$125,079 for compensated absences, and \$47,000 for Data Management and Capital Improvements.

E. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

F. Inventory

Inventory, which consists of VFC vaccine supplies, is valued at cost determined by the State of Michigan.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 2--Stewardship, Compliance and Accountability

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end. The Health Department administrative staff meet to identify staffing and expenditures necessary to meet minimum program requirements and identify all applicable revenue sources, i.e. Fees, and Local, State, and Federal funding. A review of actual financial data from the most recent fiscal year is made and costs are updated to reflect known increases. The Finance Director then prepares draft budgets for each cost center. These drafts are then reviewed by the appropriate department executive and/or director, and suggested adjustments are made. The budget is then presented for review and recommendation to the full Board of Health. The Board of Health approves the proposed total agency budget on the same basis of accounting as the financial statement presentation, which is reflected in the Board of Health meeting minutes. Approved budgets are then submitted to the appropriate grantor agencies.

Budget amendments are initiated upon semi-annual review of the budget to actual revenue and/or expenditures. A meeting is held to discuss necessary changes with the department executive and/or director. Budget amendments are then presented to the Health Officer for review. Upon approval of the Health Officer, the amended budget is then presented for review and recommendations to the full Board of Health. The Board of Health approves the amended budget and the approved amendment is reflected in meeting minutes. The approved amended budget is then submitted to appropriate grantor agencies.

Budget variances are illustrated in the supplemental information section.

NOTE 3--Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 3--Deposits and Investments (continued)

The Health Department's cash consists of cash on hand and demand deposits. In accordance with the statutes of the State of Michigan, all cash received by the Health Department is transferred to the Treasurer of the County of Tuscola for deposit and investment of excess cash. The detail of cash at September 30, 2007 is as follows:

Petty cash – The Health Department maintained a cash balance of \$454.

Deposits – The carrying amount of the Health Department's deposits (checking accounts, etc.) was \$37,180 with a corresponding bank balance of \$130,768. Of that balance, \$100,000 was insured.

Deposits with County of Tuscola – The amount of the Health Department's deposits with the County of Tuscola was \$524,741. The County of Tuscola's cash and investments were not audited as of September 30, 2007. Therefore, the categorization into risk levels of the cash and investments could not reasonably be determined.

The Health Department's investment policy authorizes all of the above listed investments as authorized by Treasury.

NOTE 4--Receivables

Receivables as of year-end for the government's general fund, including the applicable allowances for uncollectible accounts, are as follows:

Accounts receivable	\$ 101,125
Due from State of Michigan	8,146
Due from other governmental units	13,536
Due from other counties	43,351
	<u>\$ 166,158</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue consisted of vaccine not used.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 5--Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	Balance 10/1/2006	Additions	Disposals	Balance 9/30/2007
Building improvements	\$ 71,304	\$ -	\$ -	\$ 71,304
Computers and related equipment	294,739	-	7,015	287,724
Vehicles	43,489	-	-	43,489
Other equipment	172,417	-	5,192	167,225
Total	581,949	\$ -	\$ 12,207	569,742
Less accumulated depreciation	388,828	\$ 52,816	\$ 12,081	429,563
Net capital assets	<u>\$ 193,121</u>			<u>\$ 140,179</u>

Depreciation expense of \$52,816 was charged as follows: administration \$25,498, environmental health \$6,337, personal health \$6,780 and other \$14,201.

NOTE 6-- Leases

The Health Department has entered into an operating lease with the County of Tuscola for office space. The lease provides for monthly payments to the County to cover operational expenditures of the building. The total rental expense under this operating lease for the year ended September 30, 2007 was \$85,676. Lease payments are determined annually by Tuscola County.

The Tuscola County Health Department has a lease agreement for a postage meter. Quarterly payments are \$474. The total expensed for the year ended September 30, 2007 was \$1,896.

Future minimum payments are as follows:

Year	Payment
2008	\$ 1,896
2009	1,896
2010	1,422
Total	<u>\$ 5,214</u>

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 7--Long-Term Debt

The following is a summary of long-term debt transactions of the Health Department for the year ended September 30, 2007:

	Payable 10/1/2006	Additions	Reductions	Payable 9/30/2007
Compensated absences	\$ 108,216	\$ 21,218	\$ 4,355	\$ 125,079
	<u>\$ 108,216</u>	<u>\$ 21,218</u>	<u>\$ 4,355</u>	<u>\$ 125,079</u>

NOTE 8--Risk Management

The Health Department has joined together with other local governments in Michigan to form Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool currently operating as a common risk management and financing program for member Michigan local governments. The Health Department pays an annual premium to MMRMA for its general liability insurance coverage. The Agreement for Formation of the MMRMA provides that MMRMA will be self-sustaining through member premiums.

The Health Department continues to carry commercial insurance for all other risks of loss, including workers' compensation, employee dishonesty and health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9--Retirement System – MERS Operated

Plan Description

The Health Department's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Health Department participates in the Municipal Employees Retirement of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board, Act No. 220 of the Public Acts of 1996, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 9--Retirement System – MERS Operated (continued)

Funding Policy

The Health Department employees are required to contribute at an actuarially determined rate; the current rate is 3% of the first \$4,200 of annual payroll and 5% of portions over \$4,200. The Health Department is required to contribute the remaining amounts necessary to fund the System, based upon actuarial valuations as required by State statute. The contribution rate was 8.73% October 1, 2006 through December 31, 2006 and 9.34% January 1, 2007 through September 30, 2007. The contribution requirements of the Health Department are established and may be amended by the Retirement Board of MERS.

Annual Pension Cost

For the year ended September 30, 2007, the Health Department's cost of \$127,946 for MERS was equal to the Health Department's required and actual contributions. The required contribution was determined as part of the December 31, 2005, actuarial valuation using the entry age normal actuarial funding method. The actuarial assumptions include, (a) an assumed rate of investment return that is used to discount liabilities and project what plan assets will earn, (b) a mortality table projecting the number of members who will die before retirement and the duration of benefit payments after retirement, (c) assumed retirement rates projecting when members will retire and commence receiving retirement benefits, (d) a set of withdrawal and disability rates to estimate the number of members who will leave the work force before retirement, (e) assumed rates of salary increase to project member compensation in future years. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 9--Retirement System – MERS Operated (continued)

Annual Pension Cost (continued)

Three-year Trend Information

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>Pension</u> <u>Cost</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>			
9/30/2005	\$ 102,942	100%	\$ -			
9/30/2006	\$ 113,290	100%	\$ -			
9/30/2007	\$ 127,946	100%	\$ -			
			Unfunded			
			(Over			
			Funded)			
Actuarial	Actuarial	Actuarial	AAL	Funded	Covered	UAAL
Valuation	Value of	Liability	(UAAL)	Ratio	Payroll	as a
Date	Assets	Entry Age	(b-a)	(a/b)	(c)	% of
	(a)	(b)				Covered
						Payroll
						(b-a) (c)
12/31/2004	\$ 4,666,152	\$ 4,958,294	\$ 292,142	94%	\$ 1,171,612	25%
12/31/2005	\$ 5,033,724	\$ 5,493,348	\$ 459,624	92%	\$ 1,185,815	39%
12/31/2006	\$ 5,488,915	\$ 6,009,115	\$ 520,200	91%	\$ 1,376,380	38%

NOTE 10--Deferred Compensation Plan

The Health Department offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Health Department employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The related assets and liabilities are not reported in the Health Department's financial statements as the assets are placed with a trustee. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Health department's financial statements.

NOTE 11--Economic Dependency

The Health Department received approximately 38% of its General Fund revenue and other financing sources from the Michigan Department of Community Health. Due to the significance of this revenue source to the Health Department, it is considered to be economically dependent.

REQUIRED SUPPLEMENTAL INFORMATION

TUSCOLA COUNTY HEALTH DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2007

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<u>Revenues</u>				
Licenses and permits	\$ 169,945	\$ 170,020	\$ 165,434	\$ (4,586)
Intergovernmental Federal/State	1,817,894	1,775,421	1,919,459	144,038
Charges for services	458,543	499,360	560,789	61,429
General contributions	9,134	7,704	9,228	1,524
Other	3,121	5,108	13,066	7,958
Total revenues	<u>2,458,637</u>	<u>2,457,613</u>	<u>2,667,976</u>	<u>210,363</u>
<u>Expenditures</u>				
Salaries and wages	1,483,551	1,453,644	1,451,371	(2,273)
Fringe benefits	480,103	478,869	506,815	27,946
Supplies and materials	413,743	461,317	649,478	188,161
Contractual	210,244	210,402	215,749	5,347
Legal	8,000	4,000	2,824	(1,176)
Health services	7,843	9,863	6,064	(3,799)
Telephone	15,172	14,899	14,371	(528)
Travel	80,440	75,893	82,976	7,083
Advertising	10,789	6,680	6,890	210
Insurance	29,298	29,353	23,834	(5,519)
Equipment repairs and maintenance	10,353	9,480	7,537	(1,943)
Central Service costs	9,328	8,359	8,359	-
Building lease and rentals	87,572	87,572	88,097	525
Other	25,384	19,046	23,990	4,944
Total expenditures	<u>2,871,820</u>	<u>2,869,377</u>	<u>3,088,355</u>	<u>218,978</u>
Excess of revenues over (under) expenditures	(413,183)	(411,764)	(420,379)	(8,615)
<u>Other Financing Sources</u>				
Operating transfers in				
County appropriation in	387,473	387,473	387,471	(2)
Cigarette tax	25,710	24,291	24,291	-
Total other financing sources	<u>413,183</u>	<u>411,764</u>	<u>411,762</u>	<u>(2)</u>
Excess of revenues over (under) expenditures	-	-	(8,617)	(8,617)
Fund balance-beginning of year	643,765	643,765	643,765	-
Fund balance-end of the year	<u>\$ 643,765</u>	<u>\$ 643,765</u>	<u>\$ 635,148</u>	<u>\$ (8,617)</u>

The accompanying notes to the financial statements are an integral part of this statements.



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 13, 2007

Board of Public Health
Tuscola County Health Department
Caro, Michigan

We have audited the financial statements of the governmental activities of Tuscola County Health Department as of and for the year ended September 30, 2007, and have issued our report thereon dated December 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tuscola County Health Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tuscola County Health Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tuscola County Health Department's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Tuscola County Health Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Tuscola County Health Department's financial statements that is more than inconsequential will not be prevented or detected by Tuscola County Health Department's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Tuscola County Health Department's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be a material weakness as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tuscola County Health Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Public Health
Tuscola County Health Department
December 13, 2007
Page Three

This report is intended for the information of the Board of Public Health, management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Gardner, Provengano, Schaumann & Hunkar, P.C.

Certified Public Accountants



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 13, 2007

Board of Public Health
Tuscola County Health Department
Caro, Michigan

Compliance

We have audited the compliance of the Tuscola County Health Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The major federal programs of the Tuscola County Health Department are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Tuscola County Health Department's management. Our responsibility is to express an opinion on the Tuscola County Health Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Tuscola County Health Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Tuscola County Health Department's compliance with those requirements.

In our opinion, the Tuscola County Health Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the Tuscola County Health Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Tuscola County Health Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tuscola County Health Department's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type or compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses above. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as described above.

Board of Public Health
Tuscola County Health Department
December 13, 2007
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This report is intended for the information of the Board of Public Health, management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Gardner, Provenzano, Schauman & Limas, P.C.

Certified Public Accountants

TUSCOLA COUNTY HEALTH DEPARTMENT
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2007

SECTION 1 – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Reportable condition(s) identified not considered to be material weaknesses?

☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ☐ Yes ☒ No

Reportable condition(s) identified not considered to be material weaknesses?

☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number
93.268

Name of Federal Program or Cluster
Immunization Grants

Dollar threshold used to distinguish between Type A and Type B programs:
\$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

TUSCOLA COUNTY HEALTH DEPARTMENT
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2007

SECTION II – Financial Statement Findings

There are no matters to report.

SECTION III – Federal Award Findings and Questioned Costs

There are no matters to report.

TUSCOLA COUNTY HEALTH DEPARTMENT
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2007

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Number	Federal Expenditures
U.S. Department of Health and Human Services:			
<u>Michigan Department of Community Health</u>			
Family Planning	93.994	B1MIMCHS	\$ 11,947
Family Planning	93.217	05H000173	59,043
Immunization-IAP	93.268	H23 CCH522556	22,649
Case Management Services	93.994	B1MIMCHS	9,626
Case Management Services	93.778	5XX05MI5048	16,624
Case Management Services (Fixed Unit Rate)	93.778	5XX05MI5048	605
Local MCH Block Grant	93.994	B1MIMCHS	42,991
Vaccines Provided (Fixed Unit Rate)	93.268	5H23IP522556	305,455
VFC Provider Site Visits (Fixed Unit Rate)	93.268	5H23IP522556	1,000
Immunization AFIX (Fixed Rate)	93.268	5H23IP522556	200
CSHCS Care Coord. Level I (Fixed Unit Rate)	93.778	50705MI5078	15,700
CSHCS Care Coord. Level II (Fixed Unit Rate)	93.778	50705MI5078	690
Medicaid Outreach Activities (Fixed Unit Rate)	93.778	50705MI5078	5,589
Bioterrorism-Focus A	93.283	CCU517018	143,563
Bioterrorism-Pandemic Flu	93.283	CCU517018	54,426
<u>Health Resources and Services Administration</u>			
Rural Health Care Services Outreach Grant (Thumb Nutrition & Physical Activity Program)	93.912	D04RH06934A0	150,096
<u>Administration for Children & Families</u>			
Abstinence Education Program-Tuscola Intermediate School District	93.235	G0501MIAEGP	39,833
U.S. Department of Agriculture:			
<u>Michigan Department of Community Health</u>			
Women Infants and Children	10.557	XX4W1006	209,911
Family Independence Agency:			
Children's Trust Fund - T.L.C. Program	93.558	CTFPR-05-79001	135,898
Environmental Protection Agency:			
<u>Department of Environmental Quality</u>			
Operator Certification	66.471	CT975861	5,150
Cap Grant for the Drinking Water Revolving Fund	66.468	FS97548704	150
Michigan Department of Education:			
Early-On Grant	84.181	Tuscola ISD	6,541
Early-On Grant IDA (Fixed Unit Rate)	84.027	Tuscola ISD	1,280
			\$ 1,238,967

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

NOTE 1--Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Tuscola County Health Department and is presented in the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*.

NOTE 2--Reconciliation of Revenue Reported in the Financial Statements with Expenditures of Federal Awards

Intergovernmental revenue		\$ 1,919,459
Less:		
Cost sharing	(226,563)	
State and local grants	(453,929)	(680,492)
		<u>\$ 1,238,967</u>